

## ITEM

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### AUDIT COMMITTEE – 26 June 2007

### RISK MANAGEMENT – QUARTERLY REVIEW

#### Joint Report of the lead officer of the Risk Management Group and the Strategic Director (Resources)

**Statutory Powers:** (Local Government Act 1972 as amended.  
Accounting and Audit Regulations 2003)

**Financial Implications:** Existing budgets

#### Purpose

The purpose of this report is to provide an up-date on risk management. There is a direct link to CP6 (Improve core service performance in a cost-effective way) and indirect links to CPs 1 to 5.

#### RECOMMENDATION

**That the Audit Committee considers the progress made on risk management and comments accordingly.**

#### Background

1. Providing regular reports to members with responsibility for risk management is good business practice and is included in the Council's Risk Management Strategy.
2. The quarterly report demonstrates Member involvement in the process and also provides evidence for the CPA Use of Resources Assessment. This report provides information on risk management activities undertaken since March 2007.

#### Current Situation

3. Following the decision to introduce the Audit Committee and give it the responsibility to monitor risk management necessary amendments were made to the Council's Risk Management Strategy.
4. The Strategic Risk Register is reviewed twice a year by the Strategic Management Team as the Strategic Risk Management Group. The last review took place on 1 May 2007 and a number of changes were made. These included transferring 4 items from the Strategic to the Operational Risk Registers and updating the information on nine other risks.

## Key Lines of Enquiry for Internal Control

5. The current requirements are shown at Annex A and the Council's status as regards the use of resources criteria is as follows:

**Level 2:** We meet all the requirements,

**Level 3:**

<b>Level 3 requirements</b>	<b>Council's Status</b>
<p>* The risk management process is reviewed and updated at least annually.</p> <p>* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.</p> <p>* The members with specific responsibility for risk management have received risk management awareness training.</p> <p>* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate.</p>	<p><b>This requirement has been met.</b></p> <p><b>This requirement has been met.</b> A risk register for partnerships has been entered onto Covalent and we are now in the process of carrying out more detailed risk assessments for specific partnerships.</p> <p><b>This requirement has been met.</b> Appropriate training continues to be part of the Induction process.</p> <p><b>This requirement was met however following the Local Government elections there is a need to ensure that all members of the Executive, the Audit Committee and the Chairman of Development Control receive appropriate training</b></p> <p><b>This requirement has been met.</b> Reports were produced for Scrutiny at least quarterly and will continue to be produced for the Audit Committee. Where appropriate interim reports will be submitted.</p>

**Level 4: Progress as below:**

<b>Level 4 requirements</b>	<b>Council status</b>
<p>*A senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council.</p> <p>*The council can demonstrate that it has embedded risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> <li>• strategic planning</li> <li>• financial planning</li> <li>• policy making and review</li> <li>• performance management</li> </ul> <p>*All members have received risk management awareness training.</p> <p>*The council considers positive risks (opportunities) as well as negative risks (threats).</p>	<p><b>This requirement has been met</b></p> <p>Risk Management is embedded in both strategic and financial planning. Policy making also has a good level of risk management embedded and this will continue to be improved. Work is progressing to ensure that risk management is an explicit part of all business processes.</p> <p><b>This requirement was met however following the Local Government elections there is a need to ensure that all members receive up-dated training.</b> Also see Paragraph 9 below</p> <p>Members will be aware that reports now include opportunities as well as risks and they will continue to be monitored to ensure that this is happening. There is evidence that members are becoming increasing risk aware when considering reports and officers are reminded of the need to ensure that both threats and opportunities are included in them. Conducting Risk Workshops at an early stage enables both opportunities and threats to be more easily identified</p>

**Risk Workshops**

6. The value of this method of working is now accepted and risk workshops are taking place when appropriate.

7. Workshops have been facilitated for Sherford and further sessions planned following the Sherford AAP Examination. It is also our intention to facilitate workshops for the following at the appropriate time:
  - Langage
  - Shared Service working
  - Local Government Review
  - Single Status
8. The draft guidance for partnerships, which is currently under consultation, also includes the use of risk workshops as an integral part of the process. It is also intended that both training and guidance on projects includes the use of workshops.

### **Training**

9. Training for Members. A review of the training needs is underway. Training sessions are now planned to provide members with suitable awareness of both the Statement of Internal Control and Risk Management. It is intended to provide this training in small groups and also take account of member's prior knowledge.
10. Training for staff. The training package for staff has been reviewed and this will continue to be included in the Induction package.
11. A Risk Management area has been introduced on the Intranet and we are in the process of producing a basis guide on risk management for all staff.

### **Business Continuity**

12. Following the Business Continuity Plan exercise in 2006 amendments continue to be made to the Plan to ensure that it meets the Council's.
13. Progress on outstanding projects
  - a. Data link between the Council and Teignbridge District Council. Further work has taken place on the feasibility and size of the link but until business cases and associated decisions are made on shared working and any other possible needs for the link can be finalised no firm recommendations can be made.
  - b. Generator. The complex nature of this project necessitated the use of a consultant to assist in determining the size and location of the generator, the works required to install and commission it and to identify and resolve concerns with the on-going maintenance and operation of the equipment. Our consultants have received 4 quotations for the generator alone. Based on the lowest quotation, the final installation costs including concrete bases, bunding, fencing and wiring/cabbling alterations will be in the region of £75k. We have also undertaken discussions with East Cambridgeshire District Council

(ECDC) with regard to a contract they have entered into with a company known as Powercall to provide mobile generators to site within the hour. ECDC have indicated that they have a contract to provide a similar demand to the Council's (i.e. 300 kVa) for £120 per month. This equates to less than one month's maintenance contract for the proposed generator. If this approach is adopted it will avoid the need for any capital expenditure to purchase the generator and any future replacement costs in 25 years time. If we enter into this type of arrangements there is a possibility that our existing UPS system may require upgrading. We are arranging a meeting with Powercall to visit the site and prepare a detailed quotation and draft contract conditions. Following this visit a report will be submitted to Executive for approval of either the installation of the generator or the contract arrangements.

#### 14. Risk Assessment

<b>Threats</b>	<b>Mitigation</b>
Failure to achieve the Council's objectives	A fully embedded and working risk management system should be able to proactively identify both threats and opportunities and enable the council to take appropriate action.
Failure to maintain CPA grading	A fully operational risk management system will enable the Council to demonstrate its compliance with the criteria for CPA and demonstrate its proactive approach to improvement Whilst the Council may consider that maintaining an "Excellent" grade might not be the best use of resources, dropping a grade could be detrimental to the Council's reputation.
Failure to maintain and improve our Audit Commission "Use of Resources" Assessment	The Council received a score of 3 in 2006. To maintain this there is a need to ensure that all members receive training before the end of August 2007. Arrangements are in place to provide this training.
Failure to identify the risks associated with significant projects and partnerships may prevent the Council achieving its objectives and increase its liabilities.	Risk workshops are designed to ensure that all significant risks are identified and control put in place to mitigate them
Failure of all staff to embrace risk management at their individual level	Staff training emphasises that all staff members have a role to play and indicates how they can and do manage risks in practical terms.

<b>Opportunities</b>
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A fully embedded risk management process will enable better deployment of resources and possible enable the Council to meet demands for savings.
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**Conclusion**

15. The Council's risk management systems are developing satisfactorily. We must ensure that we continue to improve our systems and performance.

P J Osborne  
Lead officer – Risk Management Group

Audit Committee  
26 June 2007

M Seymour  
Strategic Director (Resources)

**Background documents:**

None

**KLOE Risk Management Requirements**

<b>4. INTERNAL CONTROL</b>		
<b>How well does the council's internal control environment enable it to manage its significant business risks?</b>		
<b>Key line of enquiry</b>		
4.1 The council manages its significant business risks		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>the council has a risk management process in place</li> <li>the risk management system covers partnership working</li> </ul>		
<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>* The council has adopted a risk management strategy/policy that has been approved by members.</p> <p>* The risk management strategy/policy requires the council to:</p> <ul style="list-style-type: none"> <li>identify corporate and operational risks</li> <li>assess the risks for likelihood and impact</li> <li>identify mitigating controls</li> <li>allocate responsibility for the mitigating controls.</li> </ul> <p>* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</p> <p>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</p> <p>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</p>	<p>* The risk management process is reviewed and updated at least annually.</p> <p>* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.</p> <p>* The members with specific responsibility for risk management have received risk management awareness training.</p> <p>* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate.</p>	<p>A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.</p> <p>The council can demonstrate that it has embedded risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> <li>strategic planning</li> <li>financial planning</li> <li>policy making and review</li> <li>performance management</li> </ul> <p>All members receive risk management awareness training.</p> <p>The council considers positive risks (opportunities) as well as negative risks (threats).</p>